

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY) CASE NO.
FOR AN ADJUSTMENT OF ITS ELECTRIC RATES) 2012-00221

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Kentucky Industrial Utility Customers, Inc. ("KIUC"), pursuant to 807 KAR 5:001, is to file with the Commission its electronic responses, a paper original, and two copies of the following information, and serve all parties of record. The information requested herein is due by October 26, 2012. Paper responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KIUC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KIUC fails or

refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Direct Testimony of Stephen J. Baron, Exhibits SJB-3, SJB-4, and SBJ-5. Provide an electronic copy in spreadsheet format of each of the cost-of-service studies that support these exhibits with the formulas intact and unprotected and with all columns and rows accessible.

2. Refer to the Direct Testimony and Exhibits of Lane Kollen ("Kollen Testimony, at pages 8-10, and the first attachment to Exhibit_(LK-4), both of which relate to the off-system sales ("OSS") margin adjustment proposed by Kentucky Utilities Company ("KU"). On page 8, at lines 13-14, Mr. Kollen states that the proposed adjustment "fails to fully address any effects of seasonality on the margins that might occur over a full month test year." However, starting on page 9, at line 19, and concluding on page 10, at line 2, Mr. Kollen states that "there is no obvious pattern to the OSS margins," a statement which appears to be supported by the quarterly OSS sales data in the attachment. If there is "no obvious pattern," explain why Mr. Kollen cites "effects of seasonality" as a problem with the proposed adjustment.

3. Refer to pages 12-14 of the Kollen Testimony where Mr. Kollen discusses his proposed adjustment to normalize KU's generation outage maintenance expense. Mr. Kollen calculates his adjustment based on five years of historical data, adjusted for

inflation and cites KU's data responses which indicate that its projected 2013 generation outage maintenance expense will be less than the test-year expense level.

a. The test-year expense was \$20.6 million, the expense levels in the five years used in Mr. Kollen's proposed adjustment ranged from \$8.9 to \$20.2 million, and KU's projected expense levels are \$11.8 million in 2013 and \$29.6 million in 2014. With these ranges, historically, \$11.3 million, and projected, \$17.8 million, explain why an adjustment, be it a decrease or an increase, is appropriate.

b. Explain why Mr. Kollen's proposed adjustment is dependent on KU's 2013 projected expense being less than the test-year expense.

c. If an adjustment such as that proposed by Mr. Kollen is accepted by the Commission, explain whether KIUC believes that similar adjustments would need to be made in future KU cases, regardless of whether the adjustment was an increase or decrease.

d. Explain why a five-year historical period was used in the proposed adjustment, as opposed to either a shorter or longer period.

4. Refer to page 21 of the Kollen Testimony at lines 3-9. Provide the amount of the change to KU's rate-case amortization expense based on this alternative to Mr. Kollen's primary recommendation.

5. Refer to page 5 of the Testimony of Richard A. Baudino ("Baudino Testimony"), pages 16 through 18. Explain why no gas utilities or combination utilities were included in the proxy group, and whether excluding such companies makes the proxy group size too small for a reliable comparison group.

6. Refer to pages 21 and 22 of the Baudino Testimony. Explain why using internal growth and return calculations, which are derived in part through rates determined by ROEs awarded in other jurisdictions, as a proxy for dividend growth does not introduce a certain amount of circularity into the calculation.

7. Refer to the Direct Testimony of Dennis W. Goins, page 22, at which Mr. Goins discusses the recommended three percent increase to curtailable service-rider credits. Provide the basis for the proposed three-percent increase, and all calculations supporting its reasonableness.



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cc: Parties of Record

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